



CITY OF BERKELEY  
CALIFORNIA

8101726  
FOR COUNCIL INFORMATION

December 17, 1974

To the Honorable Mayor and  
Members of the City Council

Subject: FINANCIAL IMPLICATIONS OF WEST BERKELEY INDUSTRIAL PARK (WBIP)  
FOR COMMUNITY DEVELOPMENT BLOCK GRANT **DEC 29 1980**

There is attached an analysis on the financial implications of the WBIP which may be summarized as follows:

1. The Housing and Community Development Act of 1974 requires that a portion of the Community Development Block Grant or other resources be committed to protect the Federal interest in the WBIP: Costs for protection of the Federal interest could range from a minimum of \$85,000 (estimate) in interest costs on the Federally guaranteed Project Notes during the period 7/1/75 - 6/30/76; to a maximum of \$1,318,000 to repay the Project Notes and so terminate the Federal interest.
2. The Berkeley Redevelopment Agency estimates \$3,488,000 is needed after 6/30/75 to complete the WBIP and proposes that \$1,121,000 from the Community Development Block Grant be allocated to this purpose. Their estimate includes the interest payable on the Project Notes, 7/1/75 - 6/30/76.
3. Any change in land use in the WBIP will require HUD approval, unless the Federal interest in the Park is terminated. HUD approval would entail a new Federal Environmental Impact Statement, which could cause as much as a one-year delay in the project. In addition, it is doubtful that HUD would approve a change to residential use in the WBIP.
4. With modification, the WBIP can be completed utilizing Tax Allocation Bonds as the sole means of financing; or a portion of the Community Development Block Grant can be allocated to complete the WBIP in order to reduce reliance on Tax Allocation Bonds.
5. The range of policy decisions open to the City Council include:
  - A. Modify the WBIP Plan to defer proposed undergrounding of public utilities beyond that recommended by the BRA for completion under the 3rd NDP (rev.); recommend that Tax Allocation Bonds be issued to finance the modified WBIP, pledging up to \$120,000 from the 1st year Community Development Block Grant to meet the interest payments on the Project Notes, in the event Tax Allocation Bonds/Notes cannot be sold to meet the interest payments.



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- B. Approve the request of the Redevelopment Agency for continuing development of the WBIP as planned, and commit \$1,121,000 from the Community Development Block Grant for this purpose.
- C. Discontinue the WBIP Project, perpetuating the current undesirable state of WBIP site; commit \$1,164,000 from the Community Development Block Grant to meet the costs entailed in terminating the WBIP Project.
- D. Adopt the Ocean View Alternative Plan for the WBIP and commit \$2,288,000 from the Community Development Block Grant to financing the cost of the shift to their new Plan.

This attached analysis has been forwarded to the Interim Committee on Community Development for their review and recommendation. It is anticipated that their recommendation will be available to me for transmittal to the City Council at the first Council meeting in January, 1975.

John L. Taylor  
City Manager

Attachments





# CITY OF BERKELEY

## Memorandum

TO John L. Taylor, City Manager DATE December 11, 1974

FROM Margaret M. Watson, Assistant to the City Manager, Com. Dev. Task Force.

SUBJECT: FINANCIAL IMPLICATIONS OF THE WEST BERKELEY INDUSTRIAL PARK FOR COMMUNITY DEVELOPMENT BLOCK GRANT

### Attachments:

1. Funds Required to Complete WBIP Redevelopment Project with Exhibits 1-7. BRA 12/11/74
2. Tax Allocation Bonds - Questions and Answers. BRA 4/15/74
3. Cost of Completing West Berkeley Industrial Park Assume Oceanview Committee's "Alternative Plan". BRA 11/74

The Housing and Community Development Block Grant of 1974 provides that a Community Development Block Grant shall replace Federal funding for urban renewal and neighborhood development programs. The Act also provides for protection of the Federal interest in existing urban renewal projects. The Berkeley Redevelopment Agency (BRA) has submitted a preliminary estimate of its funding request for a portion of the Community Development Block Grant to continue activities in the West Berkeley Industrial Park (WBIP) (Attachment 1). Examined below are the financial implications of the WBIP in terms of:

- A. The background and current status of the WBIP;
- B. The nature of the Federal interest in the WBIP;
- C. Sources of funding for WBIP activities after June 30, 1975; and,
- D. Range of alternatives for Council consideration in responding to the BRA's funding request.

### A. West Berkeley Industrial Park -- Background and Current Status.

#### Background: Chronology of the WBIP

11/26/63	City Council public hearing on WBIP.
3/21/67	City Council public hearing on WBIP.
4/11/67	City Council public hearing on WBIP.
5/16/67	City Council public hearing on WBIP.
6/20/67	City Council adoption of WBIP Plan to be carried out by the BRA under California Community Redevelopment Law.
2/25/69	City Council public hearing on WBIP.





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2/10/70 U.S. Department of Housing and Urban Development (HUD) granted Federal financial assistance to approximately 57 acres in WBIP under Neighborhood Development Program (NDP) provision of the Housing Act of 1949, as amended.

6/70 BRA began property acquisition and relocation assistance to families and businesses.

12/70 Second NDP application approved by Council.

6/15/71 City Council public hearing on WBIP.

11/71 BRA approved WBIP Land Offering No. 1 of approximately 6 1/2 acres, and began land marketing activities.

12/71 City Council recommended a 90-day moratorium on WBIP project activity pending independent evaluation of the project.

(3/72 Council approved consultant contract with Payne Maxie.)

1/13/72 San Francisco Tomorrow, Inc. and several other plaintiffs initiated lawsuits challenging HUD's failure to prepare and file an Environmental Impact Statement (EIS) for WBIP and two other redevelopment projects. Federal District Court ruled against plaintiffs and ruling was appealed.

5/72 Payne Maxie Consultant Report received by Council.

6/6/72 Council approved third NDP application.

1/18/73 Ninth Circuit Appeals Court ruled for plaintiffs that the mandated project could go forward only upon compliance with National Environmental Policies Act.

10/16/73 Council authorized execution of "Local Grant-in-Aid and Cooperating Agreement" with BRA in connection with third NDP.

12/12/73 Public hearing on draft Environmental Impact Report (EIR) contracted for by BRA pursuant to the California Environmental Quality Act of 1970.

12/28/73 HUD having completed and filed the required EIS, Federal District Court dismissed the San Francisco Tomorrow, Inc. case.





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2/4/74            Final State required EIR adopted by BRA.

3/20/74           With BRA and HUD approval of the third NDP and sale of \$750,000  
Tax Allocation Notes to assist in financing the local share  
of the third NDP, the WBIP project was ready to proceed again.

4/15/74           Biennial public hearing of BRA on the WBIP.

7/29/74           Council approval of application for an amendment to the  
third NDP. In approving the application, the City Council  
instructed the City Manager to negotiate a Debt Agreement  
with the BRA for eventual reimbursement to the City of  
eligible local contributions to the project (approximately  
\$600,000).

10/15/74          City Council public hearing on WBIP.



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Summarized in Figure 1 and Figure 2 below is the current programmatic and financial status of the WBIP Plan as approved by the City Council, the BRA and HUD. Both charts reflect the 12/11/74 request of the BRA\* for funds from the Community Development Block Grant.

Figure 1. PROGRAMMATIC STATUS OF THE WEST BERKELEY INDUSTRIAL PARK PLAN\*

	Total	Completed or to be Completed through 6/30/75	BRA Proposed for Completion/ Funding after 6/30/75	BRA Estimated Completion Date
	_____	_____	_____	_____
Land Acquisition (sq. ft.)	862,401	684,911	177,490	June, 1976
Land Sale (sq. ft.)	862,401	240,000	622,401	June, 1977
Public Improvements (dollar cost shown)	\$3,634,000	\$1,560,000	\$2,074,000	June, 1976
Site Clearance				
Buildings & Other Structures (total no.)	57	4	53	June, 1976
To be moved off-site and rehabilitated	9	0	9	June, 1975
To be moved on-site and rehabilitated	1	0	1	June, 1975
To be demolished	47	4	43	June, 1976
Relocation				
Businesses (Number)	52	19	33	June, 1976
Residential Households (Number)	70	56	14	June, 1976
Rehabilitation by Owner Participants	27	9	18	June, 1976

\*See Attachment 1. 12/11/74 memo from Tom Cook: Funds Required to Complete  
WBIP Redevelopment Project





FIGURE 2. FINANCIAL STATUS OF WEST BERKELEY INDUSTRIAL PARK PLAN\*

	<u>TOTAL</u>	<u>ACTUAL AND ESTIMATED THRU 6/30/75</u>	<u>BRA PROPOSED AFTER 6/30/75</u>
<u>COSTS</u>			
Gross Cost	\$10,209,000	\$6,511,000	\$3,698,000
Net Cost (gross cost less land sale proceeds)	8,681,000	5,193,000	3,488,000
<u>EXPENDITURES</u>			
Administration	1,823,081	1,538,081	285,000
Land & Real Estate Acquired	2,934,797	2,378,797	556,000
Public Improvement & Site Clearance	3,722,345	1,623,345	2,099,000
Interest Expense	638,956	522,956	116,000
Other Income (-)	(158,174)	(119,174)	(39,000)
Relocation	553,493	437,493	116,000
Contingency	94,237	94,237	-0-
Repayment to City	600,000	35,000	565,000
Gross Cost	10,208,735	6,510,735	3,698,000
Land Sale Proceeds est.	(1,528,355)	(1,318,355)	(210,000)
<u>Source of Funds</u>			
Federal Capital Grants	3,439,642	3,439,642	-0-
Federal Relocation Grants	215,403	215,403	-0-
Local Contributions (including public works, tax increases, general fund monies)	991,400	991,400	-0-
Tax Allocation Notes (A current short-term indebtedness of \$750,000 which must be repaid from subsequent tax allocation note/bond issue. \$204,000 of proceeds is not com- mitted to 3rd year NDP)	750,000	546,000	204,000
Tax Allocation Bonds (Net after re-paying \$750,000 notes and \$351,000 - 1/3 local contributions of 3rd year NDP, which City is presently guaranteeing)	2,163,000	-0-	2,163,000
Community Development Block Grant	1,121,000	-0-	1,121,000
TOTALS	\$8,681,445	\$5,193,445	\$3,488,000

\* Based on information from BRA - see Attachment 1





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### B. West Berkeley Industrial Park Financing -- The Federal Interest

Federal assistance to the WBIP has been through a combination of temporary loans and capital grants. The temporary loans, either in the form of a direct Federal loan or a loan from the private market guaranteed by the Federal Government, provide the operating capital needed to carry out program activities under a HUD approved contract and budget for a given period of time (program year). The approved contract provides that a Federal grant will reimburse the BRA for the Federal share of all redevelopment activities except for the estimated resale value of any land acquired during the program year. This enables the BRA to acquire land at market value, clear it, and then resell it to private developers at a price below cost, with the Federal Government supporting the cost of this markdown.

The Federal capital grant must be matched by a local contribution on a 1/3 - 2/3 basis. The bulk of the credited local contributions for the WBIP have been credits for public improvements which the City has undertaken through its regular schedule and conventional resources for needed capital improvements, or by accelerating that schedule in this area of the City.

As indicated, the Federal grants made to the WBIP are on a reimbursement or "grants earned" basis. At the end of each program year, and WBIP has had three program years covering approximately five calendar years, an interim accounting of actual expenditures by HUD determines the amount of the "earned grant" to be paid to the BRA. The "earned grant" is then used by the BRA to repay the Project Notes (temporary loans) which funded the program year's activities. Since this "earned grant" does not cover the estimated value of the unsold land inventory of the BRA, the Agency has a carryover debt for the ensuring project year.

Its new temporary loan to continue activities must be in an amount sufficient to cover this unsold land inventory debt as well as the ensuing year's project activities.

At the present time, the BRA has \$1,700,000 in Project Notes (temporary loans) guaranteed by the Federal Government of which \$1,318,000 represents the estimated resale value of the land owned by the Redevelopment Agency. In other words, over the three program years of the WBIP, there has accumulated an unsold land inventory valued at \$1,318,000. Because the temporary loan to cover this debt is guaranteed by the Federal Government, this land inventory debt represents the Federal interest in the WBIP.





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When the land is sold, the proceeds from the sale pay off the debt, and the Federal interest ends.

Provisions for Protection of the Federal Interest. The Housing and Community Development Act provides that HUD will review the City's Community Development Grant application to insure that the proposed use of the Community Development Grant will ultimately result in full repayment of the WBIP's outstanding Project Notes (temporary loans) plus accrued interest. If HUD determines that the intended use of the Community Development Grant does not fully protect the Federal interest, HUD may deduct up to 20% from the City's annual grant entitlement for application to outstanding temporary loans plus accrued interest. (See Housing and Community Development Act of 1974 Section 112.(a); and 11/13/74 Federal Register Section 570.802(b)).

Because the BRA intends to market its land inventory within the 3-year time frame of the Housing and Community Development Act, the Federal interest will be protected if:

1. An adequate amount of the Community Development Grant or other resources are committed to meet the interest payments on the existing Project Notes -- an estimated \$85,000 - \$119,000 in the 1st Community Development Program Year on outstanding Project Notes of \$1,700,000; and
2. If there is no major change in the WBIP Plan.

If the entire land inventory is not sold as anticipated, the City will have to commit a portion of the 3rd Community Development Block Grant or other resources to repay any remaining Project Notes plus accrued interest, a potential of \$1,318,000 (current unsold land inventory) plus interest. In recent conversations with City staff, HUD Area B Director, Julian Fitzhugh, indicated that any major change in the WBIP, for example from industrial to residential land use, would require HUD approval, and HUD preparation of a new Federal Environmental Impact Statement, a requirement that would take from three months to a year. The mixture of residential and industrial uses in a Federally assisted urban renewal project is specifically prohibited by HUD regulations (RHA 7207.1, Chapter 4, Section 2, Urban Renewal Handbook). The May 1973 HUD Final Environmental Impact Statement on the WBIP notes that to separate the land uses through renewal treatment would require removal of either the industrial use or the residential use. "The cost of the project would increase substantially if industrial structures were cleared to make the area completely residential. Such cleared land would lack the amenities for new residential construction and such sites would have difficulty meeting the HUD and FHA site selection criteria for subsidized housing. It is doubtful HUD could participate in a renewal project of this nature." The Federal EIS also states that rehabilitation





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of existing residential structures in the area is economically unfeasible, noting that the City of Berkeley's Department of Inspection Services found that for 80% of the residential structures in the area, rehabilitation would cost 50% - 70% of new construction costs for the same square footage. (Page 37 May 1, 1973 Final EIS).

Closeout of the Federal Interest. To end the Federal interest in the WBIP and the constraints imposed as a result, the City/BRA must pay off the Project Notes guaranteed by the Federal Government. HUD will then undertake a final accounting or financial settlement of the WBIP and any unearned balance of the Federal capital grants committed to the WBIP could revert to the City for Community Development activities.

### C. Sources of Funds for WBIP Activities after June 30, 1975

At issue is the question of how to finance the WBIP project activities beyond June 30, 1975. Outlined below are potential sources of funds:

1. Carry-over from Current Resources. While the 3rd NDP (rev.) currently provides for a program year ending December 30, 1974, the BRA has with HUD's approval budgeted its administrative and interest costs through June 30, 1975. The current 3rd NDP grant contract is the final one under the NDP Program. It will remain in effect until closeout of the Federal interest in the WBIP.

The 3rd NDP and the 1st Amendatory to it provide a total of \$1,958,602 in Federal capital grants for the WBIP. These resources may be utilized beyond June 30, 1975, and the BRA may make transfers within its approved budget without formal amendment to the NDP agreement; for example, unused contingency (\$94,237) or administrative funds can be spent on capital improvements or interest payments. To the extent that the BRA can finance its costs after June 30, 1975 from current resources, the need for additional funds from the sources listed below will be reduced. To date, the BRA has identified current resources of \$204,000 uncommitted to the 3rd NDP (rev.).\*

2. Tax Allocation Notes/Bonds. The California Community Redevelopment Act provides that a Redevelopment Agency may issue Tax Allocation Notes or Bonds. The WBIP Plan provides for this financing mechanism. There is a full discussion of Tax Allocation Bonds in Attachment 2. The BRA estimates that it can realize \$2,300,000 from the sale of tax allocation bonds in 1975, and that an additional \$1,000,000 could be realized if the sale of Tax Allocation Bonds were deferred until additional anticipated tax increments are produced (estimated January 1976). The BRA has short-term (Tax Allocation Notes) financing of \$750,000 outstanding. Similar short-term financing could be

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\*This \$204,000 is the cash balance from the \$750,000 Tax Allocation Notes sold in March 1974 of which \$546,000 was used to finance the 1/3 local share of the 3rd NDP.



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utilized pending issuance of long-term tax allocation bonds. Such short-term indebtedness would be liquidated utilizing the proceeds of the bond sale.

An estimated net balance of \$2,163,000 could be available after June 30, 1975 following settlement of outstanding obligations:

Tax Allocation Bonds		\$3,300,000
Local 1/3 share 3rd NDP (rev.	351,000	
Repay existing Tax Alloc. Notes	750,000	
Minimum repayment to City Under		
Debt Agreement	<u>35,000</u>	
Total Obligations		1,136,000
Balance		<u>2,163,000</u>

3. Community Development Block Grant. The urban renewal activities proposed for the WBIP are eligible for funding from the \$2,830,000 annual entitlement the City will receive each year for the next three years under the Housing and Community Development Act of 1974. The BRA funding request (Attachment 1) seeks \$1,121,000 from the Community Development Block Grant.

4. Transition Fund. Section 570.104 6(b) of the Housing and Community Development Act of 1974 provides a Transition Fund from which grants may be made to units of general local government. Julian Fitzhugh, San Francisco HUD Area Office, indicated that application for these funds is by invitation of the Secretary of HUD and that decisions regarding these funds will be made in Washington, D.C. The money is intended for communities whose urban renewal projects are in financial jeopardy. While Berkeley may submit a statement indicating any hardship criteria under which it would request these funds, in Mr. Fitzhugh's opinion the possibility of a transition Fund Grant to Berkeley is remote.

5. Conventional Sources of Revenue Available to the City of Berkeley, e.g. General Fund revenue sources, bond issues, etc. could be utilized for WBIP.





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D. Range of Alternatives for Council Consideration for Funding  
West Berkeley Industrial Park 7/1/75 - 6/30/76

In Attachment 1, the Berkeley Redevelopment Agency has submitted a request indicating that \$1,121,000 is required from the Community Development Block Grant. According to their figures, this amount, added to \$2,163,000 from a proposed Tax Allocation Bond issue, will be used to finance completion (i.e. obligation by contract) of all public improvements and land acquisition and land clearing activities in the WBIP by June 30, 1976, and to cover interest, administration and real estate marketing during the period 7/1/75 - 6/30/76. The range of policy decisions open to the City Council is discussed in alternatives 1 through 4 below. The financial implications of these alternatives are compared in Figure 3. following the discussion.

1. Modify the West Berkeley Industrial Park. This alternative is intended to reduce to an absolute minimum reliance on the Community Development Block Grant for any further funding of WBIP. A feasible modification in the WBIP Plan to reduce costs without jeopardizing the marketability of industrial land in the WBIP is to defer indefinitely the undergrounding proposed by the Berkeley Redevelopment Agency. Both the Berkeley Redevelopment Agency Director and the Public Works Director are in agreement that this is a feasible modification. While it would require an amendment of the WBIP Plan by the City Council, it would not require HUD approval. The cost saving is estimated to be \$861,000. In addition, under this alternative, a portion of the repayment to the City would be deferred until after 6/30/76 to reduce total costs to a level which could be met utilizing cash on hand and Tax Allocation Notes alone.

Gross Cost	\$2,577,000
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Net Cost (Gross cost less land proceeds)	2,367,000
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Source of Funds

Tax Allocation Bonds	\$2,163,000
Cash on Hand	204,000

Financial implication for C.D.B.G. after 6/30/76 76,400 est./yr.  
(Potential unsold land inventory: \$1,528,000 in Project Notes @ 5% =  
\$76,400 annual interest)

2. Complete the WBIP as Proposed by the BRA. The BRA proposes to complete all public improvements, land acquisition and land clearing activities in the period from 7/1/75 - 6/30/76 and to cover administrative and real estate marketing costs for that period. The BRA figures cover





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WBIP development as presently represented in the WBIP Plan, and provide for repayment to the City of the total due, \$565,000, before 6/30/76.

Gross Cost	\$3,698,000
Net Cost (Gross cost less land proceeds)	3,488,000
Source of Funds	

Tax Allocation Bonds	\$2,163,000
Cash on Hand	204,000
C.D. Block Grant	1,121,000

Financial implications for C.D.B.G. after 6/30/76 76,400 est./yr.  
(Potential unsold land inventory: \$1,528,000 in Project Notes @ 5% =  
\$76,400 annual interest)

3. No Project - Discontinue Implementation of WBIP. The project has advanced to a point that complete discontinuation is impossible; the BRA is presently owner of cleared land and of vacant and boarded up properties which must be disposed of in some manner. Discontinuing the project would perpetuate the present undesirable state of the site and would pose a potential financial cost to the City which is estimated below. This alternative would require closeout of the Federal interest. It is assumed that a Tax Allocation Bond issue would not be feasible under this alternative. No provision is made for the \$565,000 repayment to the City due under the debt agreement.

Repayment of Project Notes	1,318,000
Repayment of Tax Allocation Note	750,000
Estimated annual admin. expense to market land inv.	50,000
Local contribution to 3rd NDP (rev.)	351,000**
Capital needed 7/75 - 6/76	\$2,469,000
Source of Funds	
Land Sale (est.)	500,000
Cash on Hand	204,000
Tax Increments	250,000
C. D. Block Grant	1,515,000

4. Oceanview Alternative to the WBIP.\* Many alternatives have been proposed for the WBIP. These alternatives are discussed in some detail

\*This alternative incorporates the cost reduction achieved in Alternative 1. by deferring undergrounding.

\*\*When the City Council approved the 3rd NDP (rev.), it guaranteed the local cash share in the event it could not be raised through tax allocation financing.



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in the Environmental Impact Report on the WBIP. Housing has been the central issue in most proposed modifications. The Oceanview Committee has recommended that the area of the WBIP east of Fourth Street be reclassified residential, and that low and moderate income housing be developed in this area utilizing Federal housing assistance programs for rehabilitation and new construction.

The BRA estimates that the Oceanview Alternative could provide space for up to 259 housing units in the WBIP and would add \$850,000 to the cost of completing the WBIP.\*\* Their estimate does not take into account the costs related to development of an alternative residentially-oriented plan for this area, and the time and administrative costs in finding a sponsor/developer for the housing development. The time factor alone, based on experience in Oakland and San Francisco would be a minimum of 1 year.

This alternative probably would require "closeout" of the Federal interest, discussed earlier, preparation of an EIR by the City/BRA, as well as modification of the City's Master Plan to accommodate zoning changes. As indicated under B. above, HUD regulations specifically prohibit a mixture of industrial and residential uses in a Federally-assisted urban renewal project. The Federal E.I.S. stated as regards residential use: "It is doubtful HUD could participate in a renewal project of this nature." (P. 38 Federal E.I.S.)

A further consideration in this Alternative is whether the Federal assistance necessary to develop low and moderate income housing in this area would be available: The Federal E.I.S. states that it is doubtful that HUD and FHA site selection criteria for subsidized housing could be met if the area were rezoned residential. The Federal housing assistance programs mentioned by Oceanview proponents are unfunded and/or replaced by the housing program of the Housing and Community Development Act - Title 2, Sec. 8. Section 8 only can provide a rent subsidy to an owner/developer for existing housing, substantially rehabilitated housing or new construction. Section 8 might be utilized for the small number of residences in the WBIP already projected for off-site rehabilitation provided HUD site selection criteria are met in the new off-site location. These site selection criteria, which are incompatible with WBIP, include noise and impact criteria. For example, Section 8

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\*\*See Attachment 3 - BRA costs estimates on Oceanview Alternative for WBIP.





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could not be used to increase the concentration (impact) of low income and minority housing in an area. Even if site selection criteria were not a factor, the Federal housing subsidy programs (236,235,etc.) are dormant or discontinued. The Secretary of HUD and the Appropriations Committee of the House of Representatives reached an agreement that 236 and 235 would not be reactivated until it can be shown that Section 8 cannot be used effectively.

Gross Cost (incl. adj. for low resale value of prev. acq. land)		\$3,336,000*
Net Cost (Gross cost less proceeds of land acquisition)		3,297,500
Repayment of Project Notes to Closeout the Fed. Int.	1,318,000	
State required E.I.R.	<u>40,000</u>	
		<u>1,358,000</u>
Total Est. Cost of Oceanview Alternative		\$4,655,500

Source of Funds		
Tax Allocation Bonds	2,163,000	
Cash on Hand	204,000	
C.D. Block Grant	2,288,000	(could be reduced by \$565,000 if no repayment to the City were made for local contribution to WBIP)

Financial Implications for Community Development Block Grant after 6/30/76:  
The City could own an estimated \$411,000 in unsold land inventory; no analysis of the cost to the City for subsequent housing development is available.

\*Incorporates cost reduction achieved in Alternative 1. by indefinitely deferring undergrounding.





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Fig. 3 Financial Summary of Alternatives to Fund WBIP 7/1/75 - 6/30/76

<u>Budget Item</u>	<u>1*</u>	<u>2*</u>	<u>3*</u>	<u>4*</u>
Administration	\$ 199,000	\$ 285,000	\$ 50,000	\$ 199,000
Land Acquisition	556,000	556,000	-0-	556,000
Public Improvement	1,213,000	2,074,000	-0-	1,213,000
Site Clearance	25,000	25,000	-0-	25,000
Interest Expense	116,000	116,000	-0-	116,000
Interest Income	(39,000)	(39,000)	-0-	(39,000)
Relocation	116,000	116,000	-0-	116,000
Repayment of Project Notes	-0-	-0-	1,318,000	1,318,000
Repayment to City	391,000	565,000	-0-	565,000
Repayment of T.A. Note	-0-**	-0-**	750,000	-0-**
EIR	-0-	-0-	-0-	40,000
Local Contrib. to 3rd NDP (rev.)	-0-**	-0-**	351,000	-0-**
Gross	2,577,000	3,698,000		4,109,000
Land Sale	(210,000)	(210,000)		(39,000)
Adjustment for Lower Reuse Value				585,000
Net Cost	2,367,000	3,488,000	2,469,000	4,655,000
Sources:				
Land Site Project Termination	-0-	-0-	500,000	-0-
Cash on Hand	204,000	204,000	204,000	204,000
T.A. Bonds	2,163,000	2,163,000	-0-	2,163,000
CDRS	-0-	1,121,000	1,515,000	2,288,000
Tax Increments	-0-	-0-	250,000	-0-

\*1 Modified plan (no undergrounding)

\*2 BRA plan

\*3 Discontinue, terminate WBIP project

\*4 Ocean View Committee alternative

\*\* To be paid out of a total T.A. bond issue of \$3,300,000



M E M O R A N D U M

TO: John L. Taylor, City Manager

December 11, 1974

FROM: Thomas M. Cook, Executive Director

SUBJECT: Funds Required to Complete West Berkeley Industrial  
Park Redevelopment Project

The Community Development Revenue Sharing Advisory Committee, at its November 25, 1974 meeting, requested that the Agency provide material which preliminarily estimates the cost to complete the West Berkeley Industrial Park, the extent of need for Community Development Revenue Sharing funds and the basis for these estimates.

The material is being provided in advance of the City establishing procedures regarding content and format of requests for CDRS funds. Therefore, the estimates are preliminary in nature and are not to be considered to be a formal budget request. At the appropriate time a formal budget request will be presented to the Board for approval and forwarding to the City.

In general, our staff review indicates the following conclusions concerning financing the completion of the West Berkeley Industrial Park as previously approved by the City Council:

1. The estimated gross and net costs for the West Berkeley Industrial Park through June 30, 1975 are \$6,511,000 and \$5,192,000 respectively.
2. An additional \$3,488,000 will be required after June 30, 1975 to complete preparation of the project site for resale and to repay the City for project expenses previously incurred by the City.

The additional funds are required generally for several purposes: Purchase of several scattered parcels, public improvements, (primarily street reconstruction and undergrounding of electrical power and telephone lines) relocation payments, site clearance, and administrative and interest costs. In addition, an amount of \$565,000 is included for repayment to the City for project expenses which the City previously incurred. The estimates assume that site preparation work will have been completed or placed under contract by June 30, 1976 and that the Agency will complete land resales in stages during the period January 1, 1975 - June 30, 1977.

3. This additional cost can be paid in part from the sale of tax allocation bonds which the Agency expects to issue during 1975-76. However, the maximum amount available or expected to be available from this source to meet this additional cost is estimated to be \$2,163,000. A larger amount might be raised if the Agency were to defer the sale of the tax allocation bonds until the project produces more tax increments required to pay off the bonds; however, such action would further delay and hence increase the project's cost.





4. Obtaining of funds from other sources, for example, urban renewal transition funds, does not appear feasible.
5. As a result, the Agency will require an estimated \$ 1,121,000 in Community Development Revenue Sharing funds if the West Berkeley Industrial Park is to be completed in a timely fashion and if the City is to be repaid within a reasonable period of time.

Exhibits 1 through 7 as well as data previously transmitted, indicate the West Berkeley Industrial Park's progress and the basis for the above noted conclusions.

Thomas M. Cook



West Berkeley Industrial Park Financial Background

The West Berkeley Industrial Park Redevelopment plan was adopted by the Berkeley City Council on July 20, 1967. In February 1970 the U. S. Department of Housing and Urban Development approved the First Year Neighborhood Development Program application for funds to carry out the West Berkeley Industrial Park. At that time it also placed into an "escrow account" \$4,714,000 of Federal Capital Grant which HUD had previously reserved for the project at the time HUD had previously approved funds for planning the West Berkeley Industrial Park as a conventional urban renewal project. This amount was set aside with the understanding that the Federal grant included in a particular NDP year contract would be subtracted from the amount reserved. It was also assumed that there would be four NDP year budgets. Subsequently, second and third year NDP contracts were approved by HUD and the amounts in these contracts subtracted from the grant reserved.

In June 1974 HUD indicated its willingness to extend the Third NDP year budget to December 31, 1974 (except for administrative costs which could be extended to June 30, 1975) and agreed to amend the Third NDP year contract to increase the amount of Federal Capital Grant by \$750,000. However, HUD also advised that it had canceled the unused grant reservation which might have otherwise been included in a Fourth NDP year contract. HUD based this action on the assumption that Congress would soon enact a Community Development Revenue Sharing program and that CDRS money, rather than unused urban renewal funds in the escrow account, could be used to help complete the West Berkeley Industrial Park instead. At the time HUD undoubtedly recognized that the hold harmless amounts under CDRS which Berkeley would receive during the early years of CDRS in excess of the \$2.2 million per year entitlement, would not have been earned by Berkeley if there had been no NDP.

The Redevelopment plan adopted by the City Council indicated that the required local portion of project at cost would be paid from several sources. First, the Plan intended that cash from the sale of tax allocation bonds would be used for three purposes.

1. Cash local one-third share required under the NDP budgets.
2. Cash required to complete certain public improvements within the Non-Federally assisted portion of the project.
3. An estimated \$350,000 repayment to the City of Berkeley.

Second, the Plan also contemplated that part of the local cost would be paid in the form of cash from the General Fund and credits, notably reconstruction of streets and sanitary sewers within the West Berkeley Industrial Park. Work thus contributed has now been completed and cash from the General Fund has previously been contributed.

As a related matter the Council has originally approved inclusion of the Savo Island area in the Third NDP year application when it authorized filing of the application on June 6, 1972. This area was included because it would provide a site for critically needed for low-moderate income housing. It was responsive to needs expressed by the





Savo Island Project Area Committee and others within the Model Cities area.

Subsequently HUD requested that this area be deleted from the Third NDP year application, because of the housing moratorium. As a result, the Agency was left with the task of devising a method of financing this project, in the absence of NDP funds. The method devised was to sell sufficient tax allocation bonds within the West Berkeley Industrial Park to pay not only for completion of the local portion of project cost but also to repay the City of Berkeley for work previously performed within the West Berkeley Industrial Park, with the understanding that the City would in turn utilize for the Savo Island Redevelopment Area funds thus received. Because of the Agency's moral commitment to provide rapidly the required cash to acquire the parcels within the Savo Island Redevelopment area, the estimated \$565,000 repayment is included in the estimates.

In summary, the Agency has a legal commitment to carry out the West Berkeley Industrial Park project plan adopted by the City Council and is further committed to repay the City some \$600,000 for City expenses previously incurred. Yet because of HUD actions and limitations on use of tax allocation bonds the Agency will not have available enough funds to meet these commitments, unless CDRS funds are utilized.

Thomas M. Cook



## EXHIBIT #2

## WBIP SUMMARY OF GROSS AND NET PROJECT COSTS

<u>Item</u>	<u>Actual And Estimated Thru 6/30/75</u>	<u>Estimated After 6/30/75</u>	<u>Total</u>
Gross Cost	6,511,000	3,698,000	10,209,000
Land Resale Value	<u>1,318,000</u>	<u>(210,000)</u>	<u>(1,528,000)</u>
Net Cost	5,193,000	3,488,000	8,681,000
 Paid or to be paid from			
Federal NDP Grant	3,440,000	-0-	3,440,000
Relocation Grant	215,000	-0-	215,000
CDRS	-0-	1,121,000	1,121,000
Local Cash Grants	891,000	2,367,000	3,258,000
Local Non-Cash	476,000	-0-	476,000
Real Estate Tax Credits	<u>171,000</u>	<u>-0-</u>	<u>171,000</u>
 Total Income	5,193,000	3,488,000	8,681,000





December 11, 1974

EXHIBIT #3

ESTIMATED EXPENDITURES REQUIRED TO COMPLETE WBIP  
AFTER JUNE 30, 1975

<u>Item</u>	<u>Non-Federally Assisted Area</u>	<u>Federally Assisted Area</u>	<u>Total</u>
Administration	134,000	151,000	285,000
Land Acquisition		556,000	556,000
Public Improvement	1,341,000	733,000	2,074,000
Site Clearance		25,000	25,000
Interest Expense		116,000	116,000
Interest Income		(39,000)	(39,000)
Relocation Cost		116,000	116,000
Repayment to City		565,000	565,000
Gross Cost	1,475,000	2,223,000	3,698,000
Land Sale		(210,000)	(210,000)
Net Cost	1,475,000	2,013,000	3,488,000

Net Cost Proposed to be paid from:

Tax Allocation Bonds	2,163,000*
Cash On Hand	204,000
CDRS	1,121,000

- \* This represents the estimated maximum feasible amount of cash which could be obtained from the sale of tax allocation bonds and be available for completion of the West Berkeley Industrial Park after June 30, 1975.  
The basis for this preliminary estimate is as follows:

Maximum which could be raised from sale of tax allocation bonds during 1975-1976 (Based upon discussion with Agency's bond consultant and Agency estimates of additional property tax revenue produced or to be produced by WBIP).	\$ 3,300,000
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Application of Funds	
Local 1/3 Share - 3rd NDP (revised First Amendment)	351,000
Repayment of principal on existing tax allocation notes.	750,000
Repayment to City of Berkeley	35,000
Subtotal	1,136,000
Balance available for project completion after June 30, 1975.	2,163,000

The \$3,300,00 estimate is considered to be a maximum. If there is a major further delay in the project, this figure would probably need to be reduced.



## EXHIBIT #4

## PROGRAMMATIC STATUS OF THE WEST BERKELEY INDUSTRIAL PARK PLAN

	<u>Total</u>	<u>Completed or to be Completed Through 6/30/75</u>	<u>Proposed for Completion/ Funding After 6/30/75</u>	<u>Estimated Completion Date</u>
Land Acquisition (dollar cost shown)	2,934,797 950,122 sq.ft.	2,378,797 825,612 sq.ft.	556,000 124,510 sq.ft.	June, 1976
Land Sale (est. resale value in dollars)	1,528,000* 950,122 sq.ft.	360,000 240,000 sq.ft.	1,168,000 710,122 sq.ft.	June, 1977
Public Improvements (dollar cost shown)	3,634,000	1,560,000	2,074,000	June, 1976
Site Clearance				
Buildings & Other Structures (total no.)	57	4	53	June, 1976
To be moved off-site and rehabilitated	9	0	9	June, 1975
To be moved on-site and rehabilitated	1	0	1	June, 1975
To be demolished	47	4	43	June, 1976
Relocation				
Businesses (Number)	52	19	33	June, 1976
Residential Households	70	56	14	June, 1976
Rehabilitation by Owner Participants	27	9	18	June, 1976

\* Figure pending HUD Review.





EXHIBIT #5

M E M O R A N D U M

July 23, 1974

TO: Honorable Mayor and Members of the City Council

FROM: Thomas M. Cook

SUBJECT: INFORMATION CONCERNING WEST BERKELEY INDUSTRIAL PARK

Because of council interest in the subject, I am providing the following evidence of the West Berkeley Industrial Park's economic viability:

1. Of the 73.12 net acres in the WBIP (93 gross acres less 20 acres of streets) all but 13.21 acres are committed.
  - a. On 10.88 acres owner-participants have completed rehabilitation to conform to the provisions of the redevelopment plan.
  - b. On 13.50 acres owner-participants have constructed new buildings on their properties.
  - c. On 10.52 acres owner-participants have construction or re-modeling in progress.
  - d. On 2.66 acres owner-participants will begin construction prior to January 1, 1975.
  - e. On 3.91 acres the Agency has on file either plans or formal letters of intent from redevelopment concerning property the Agency owns or proposes to acquire in 1974.
  - f. 18.44 acres contain other sound buildings which will remain.

Of the remaining 13.21 acres, negotiations are in progress for 1.37 acres.

2. The Agency estimates the WBIP will create an additional 900-1000 jobs. Firms which have already moved into the project area or have expanded in the project area have created 260 jobs since the development of the project plan. Of this number, an estimated 20% are held by minorities



July 23, 1974

Page 2

and 23% by women. Both professional and non-professional job categories are represented. In addition, further development proposed to commence this summer will produce an estimated additional 250 jobs, many of which will be non-professional in nature. Upon completion of these developments, at least 50% of the original job goal will have been achieved.

3. The project is already increasing its contributions to the City's economic base. Additional property tax revenue has now reached over \$62,000 per year and is expected to increase to \$220,000 per year by 1976. This revenue will repay tax allocation bonds and notes which the Agency intends to issue to help pay part of, the cost of the project. When the bonds and notes are paid off, the additional real property tax revenue, estimated to be \$600,000 per year upon project completion, would be available for use by the various taxing agencies.

At the present time data concerning other economic benefits for such a small area are not available. However, one can reasonably assume that the project will produce considerably more sales tax and business license tax revenue, as well as other benefits because of the increased job base.

This progress is noteworthy in view of the fact that the Agency was not able to resume acquisition and begin reselling land until April, 1974. This delay occurred because of the San Francisco Tomorrow et al vs. George Romney court case and because HUD did not execute the Third Year NDP contract with the Agency until April, 1974.



Thomas M. Cook

TMC:bmc





## EXHIBIT #6

## SUMMARY OF PROGRAM COSTS AND SOURCES OF INCOME

Gross Cost - 3 NDP Years  
(Actual and Estimated)  
 (2/10/70 - 6/30/75)

1st NDP (Actual)	1,743,530	
2nd NDP (Actual)	1,905,747	
3rd NDP (Actual and Estimated)	2,826,529	
	<u>35,000</u>	Repayment to City
	6,510,806	
Less Land Sale	<u>1,318,355</u>	

Net Cost                    5,192,451

Estimated Gross After 6/30/75

Gross	3,698,153
Less Land Sale	(210,000)

Net Cost                    3,488,153

Income - 3 NDP Years  
(Actual and Estimated)  
 (2/10/70 - 6/30/75)

<u>Federal</u>	
Cash Grants	3,439,642
Relocation Grants	215,403
Total	3,655,045
<u>Local</u>	
Cash Grants	1,107,392
Relocation	
Reimbursement	(215,403)
Other Reimburse- ment	(1,341)
Net Cash Grants	890,648
Non-Cash Grants	476,010
Tax Credits	<u>170,748</u>
Total	1,537,406

Total Income                    5,192,451

Estimated Income After 6/30/75

Tax Allocation Bonds	2,163,000
Cash On Hand	204,000
CDRS	<u>1,121,000</u>

Total Income                    3,488,153



## EXHIBIT #7

PROGRAM COSTS (ACTUAL AND ESTIMATED) FOR 3 NDP YEARS

<u>Item</u>	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>Total</u>
<b>A. <u>Program Expenditures</u></b>				
Administration	500,211	288,899	386,631	1,175,741
Legal Services	9,936	21,351	24,700	55,987
Survey & Planning	-0-	2,200	28,275	30,485
Acquisition	21,959	8,128	14,099	44,186
Temporary Operation				
of Acquired Property	4,056	39,273	63,353	106,682
Real Estate Tax Credits	(13,595)	(87,086)	(70,067)	(170,748)
Relocation	30,973	9,644	396,876	406,520
Site Clearance	1,975	23,760	247,200	272,935
Project Improvement	-0-	-0-	839,900	839,900
Disposal, Lease, Retention	8,050	570	63,000	71,620
Rehabilitation	-0-	-0-	8,000	8,000
Interest	88,008	129,153	305,795	522,956
Other Income (-)	(55,480)	(30,694)	(33,000)	(119,174)
Real Estate Purchase	736,275	1,355,230	287,292	2,378,797
Program Inspection	13,372	11,947	20,061	45,380
Contingencies	-0-	-0-	94,237	94,237
2nd Street Construction	34,500	-0-	-0-	34,500
Repayment to City	-0-	-0-	35,000	35,000
Total	1,393,905	1,859,462	2,781,429	6,034,796
<b>B. <u>Non Cash Grants</u></b>				
	349,625	46,285	80,100	476,010
<b>C. <u>Statement of Gross and Net Program Cost</u></b>				
Gross Cost	1,743,530	1,905,747	2,861,529	6,510,806
Land Proceeds	(537,481)	(879,938)	99,064	1,318,355
Net Cost	1,206,049	1,025,809	2,960,593	5,192,451
<b>D. <u>Local and Federal Grants</u></b>				
Local Grants	402,016	341,936	975,197	1,719,149
Repayment of City	-0-	-0-	35,000	35,000
Total Local	402,016	341,936	1,010,197	1,754,149
Non-Cash Grants	349,625	46,284	80,100	476,010
Real Estate Tax Credit	13,595	87,086	70,067	170,748
Local Cash Grants	38,796	208,566	860,060	1,107,392
(Total Local Grants Minus non-cash and credits)				
Program Capital Grant	804,033	677,443	1,958,166	3,439,642
Relocation Grant	30,972	184,430	-0-	215,403
Total Federal Grant	835,005	861,873	1,958,166	3,655,045





2000 Hearst Avenue  
Berkeley 94709

QUESTIONS AND ANSWERS CONCERNING TAX ALLOCATION FINANCING

1. What is tax allocation financing?

It is the financing of redevelopment projects, in part or in whole, through the sale of tax allocation bonds or notes.

2. Who can issue these bonds or notes?

A Redevelopment Agency, which is a public body, corporate and politic, authorized and created under the California Community Redevelopment Law for the purpose of planning and carrying out redevelopment projects and performing related services.

3. How are these bonds or notes paid back?

Typically the assessed value of the new buildings constructed in a redevelopment area is greater than the assessed value before redevelopment. The portion of the property taxes attributable to this difference in assessed value is the primary source of repayment. The bonds or notes can also be secured by other revenues associated with a particular redevelopment project, such as proceeds from land sales. These bonds or notes are not an obligation of the City, nor do they involve any change in tax rate.

4. What is the legal authority for issuing tax allocation bonds or notes?

The California Community Redevelopment Law and the California State Constitution. In addition, the law requires the City Council to adopt a redevelopment plan which contains tax allocation language before this financing method can be used.

5. Does the City Council need to approve a tax allocation bond or note issue?

No. The Council needs only to approve a Redevelopment Plan which contains tax allocation language required by State law.

6. Is a vote of the people required?

No.



7. Must taxes be increased to pay for the bonds or notes?

No. This tax rate does not change. Only those taxes figured at the regular tax rate which results from extra assessed valuation from within the redevelopment project can be used to pay the interest and principal on the bonds or notes. The various taxing bodies continue to get the same property tax revenue from the area as previously.

8. Are the bonds or notes a debt of the City?

No.

9. Are they subject to the constitutional limitation on debt which applies to cities?

No.

10. Are tax allocation bonds or notes saleable?

Yes, provided there is reasonable assurance that the proposed redevelopment will occur and will produce enough new property tax revenue to repay the bonds or notes. Normally, the bond underwriters require evidence that this will occur, e.g., proof that the Agency has signed land sale agreements or that rebuilding is occurring on other property within the project. The difference between the before and after assessed values has to be substantial if tax allocation financing is to work.

11. Are these bonds and notes selling recently in today's tight money market?

Yes. The most recent such issue was sold in August 1973. Matthews & Wright, the largest firm in the U.S. dealing exclusively in municipal securities, this summer indicated it would underwrite the proposed bonds and notes for the West Berkeley Industrial Park.

12. Can tax allocation bonds be sold in stages as cash is actually needed?

Yes. For example, the Berkeley Redevelopment Agency plans to sell a \$ 750,000 promissory note this fall. A year later the Agency expects to raise approximately \$2.6 million through the sale of a long term bond issue (15-20 years). \$750,000 will be used to repay the note and the remaining \$2 million will be used to complete the West Berkeley Industrial Park.





13. Is it feasible to sell a promissory note in the West Berkeley Industrial Park before the Redevelopment Agency has sold any land?

Yes. The bond underwriters simply require reasonable evidence that a long term tax allocation bond issue can be sold in order to repay the note and meet other project needs.

In this connection tax allocations in the approximate amount of \$62,744 per year are already available this fiscal year for tax allocation note or bond repayment. Additionally, private rebuilding next spring by owners of not to be acquired property will produce an estimated additional \$220,000 per year.

14. Is the tax allocation note the same thing as a tax anticipation note?

No. The latter is a note issued normally by City or County governments to raise cash for a few months between the start of a city's or county's fiscal year and the date when property tax revenue checks are received from the County Tax Collector.



COST OF COMPLETING WEST BERKELEY INDUSTRIAL PARK  
 ASSUME OCEANVIEW COMMITTEE'S "ALTERNATIVE PLAN"

<u>ITEM</u>	<u>COST</u>
1) Administration (10% of lines 2-7)	\$ 285,000
2) Land Acquisition	556,000
3) Public Improvement	2,074,000
4) Site Clearance	25,000
5) Interest Expense	116,000
6) Interest Income	( 39,000)
7) Relocation Payments	116,000
8) Repayment to the City	565,000
9) Gross Cost	3,698,000
10) Less resale value for land acquired under #2 (Exhibit A)	( 39,500)
	<u>3,658,500</u>
11) Plus adjustment for lower resale value (See Exhibit B) of land previously acquired or budgeted.	<u>585,000</u>
12) Net Cost	<u>\$4,243,500</u>

PROPOSED TO BE PAID FROM:

Cash on Hand	204,000
Tax Allocation Bonds	2,163,000
Community Development Revenue Sharing	1,876,500





EXHIBIT A - WORKSHEET REGARDING REUSE VALUE  
ADJUSTMENT FOR WEST BERKELEY INDUSTRIAL PARK,  
ASSUMING OCEANVIEW COMMITTEE ALTERNATIVE PLAN

Total Sq. Ft. acquired or to be acquired by Agency, East of Fourth Street.

488,348 sq. ft. x \$1.50 = \$ 732,522

Reuse value for R-2A Reuse assuming above noted sq. ft.

488,348 sq. ft. divided by 1650 sq. ft. per  
dwelling unit equals 295 maximum permitted  
number of dwelling units.

295\* Dwelling Units x \$500\*\* = \$ 147,500

Estimated Reuse value at \$1.50 per sq. ft.	732,522
--	---------

Estimated Reuse value residential reuse	<u>147,500</u>
--	----------------

Difference	\$ 585,022
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\* Estimated number of dwelling units that could go on Agency owned  
land east of Fourth Street.

\*\* \$500 = Rule of thumb for resale value for land utilized for low  
density, low and middle income subsidized housing in residential  
areas. (HUD in Acorn, San Francisco West Addition)

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